INVESTING IN THE RURAL POOR

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Presented at the inaugural session of the Sixth INTAF World Conference

In 1995, one of the INTAF World Conferences was held in London and discussed “Empowering the Rural Poor”. Then, in 1996, the UN General Assembly proclaimed the First United Nations Decade for the Eradication of Poverty, beginning in 1997 and declared that “Eradicating poverty is an ethical, social, political and economic imperative of humankind.”

Since then, gradually, interest in the eradication of poverty has been gathering momentum. Today, many governments and aid agencies are showing an unprecedented interest in poverty. Some donor agencies have produced policy statements prioritising the reduction of poverty. At the international level, the Millennium Development Goals were set to provide global targets against which governments and aid donors can measure progress towards the ultimate goal of poverty eradication.

Some of us have been working voluntarily in India among the rural poor for the last thirty-five years. In my own experience, poverty and especially rural poverty, is not taken seriously, despite all the high-sounding declarations made at the top at international summits and conferences. A great deal of lip service is paid to the issue of poverty but the harsh reality remains that the poor and most of all the rural poor are generally ignored and bypassed. Not only in India but worldwide, they are exploited and oppressed. They are the victims of many myths, for example,

- That they have no assets, no purchasing power, no clear potential for growth and no economic sense
- That they misuse their loans
- That they have no political understanding and are easily swayed to vote for any party
- That they breed like rabbits and won’t listen to any advice on family planning
- That they do not value education
- That they are resistant to change
- That they make no useful contribution to the national economy and are a constant drain on it
- That they are not creditworthy and should not be allowed to open an individual bank account
- That the rich will become poor if the poor become rich
- That investing in the poor is basically money down the drain.

The truth, however, is very different. Take, for example, the fact that the poor have more children. The reason is that it makes sound economic sense. Poor households rely on family labour; human labour is their main asset; at the same time, child mortality rates are high; there are limited public social safety nets and no state pensions; and there is a flourishing market for child labour. Large families are a rational choice.

It is also not true that poor people are against change. They simply cannot afford to risk new and untested approaches. Nor do they misuse their loans. What they do is prioritise their needs and use their loans according to their priorities.

But most people do not understand their plight. The Global Chronic Poverty Report of 2004-5 states very clearly that

- The poor are those whom economic growth has bypassed and who have still not benefited from economic reforms and policies
- If and when the poor get employment, it is usually casual, insecure and low-paid
- Many live in remote areas, urban slums or conflict zones and suffer from chronic ill health
- They regularly endure the effects of layers of social discrimination
- They have little access to productive assets and low capabilities in terms of health, education and social capital
- They are invisible people, occupying a blind spot when it comes to the design of

development policy and the delivery of public services
- Poor people get low returns on their labour

Thus the poor are not poor through choice. They are poor because the scales are heavily weighted against them.

What, then, is poverty?

Poverty occurs when someone experiences a fundamental deprivation – a lack of the basic things essential for human well-being. Until the 1990s, poverty was considered mainly in material terms as low income or low levels of material wealth. Only recently, vulnerability and multi-dimensional deprivation, especially of basic capabilities such as health and education, have been emphasized as key factors of poverty.

On the one hand, there is now a better understanding of poverty but on the other, it seems to have become more and more a fruitless academic exercise. For example, the poor are divided and sub-divided into various categories: the always poor, the usually poor, the transitory poor, the fluctuating poor, the occasionally poor, the ultra poor, extreme poor, hardcore poor, destitute, poorest of the poor, declining poor, seasonally poor and the permanently poor. In this way, an extremely serious issue deteriorates into a mere game of words.

When it comes to practical solutions, another myth comes to light. This is that huge amounts of aid have been pouring into third world countries without any noticeable reduction in poverty. However, the fact is that the per capita amount is actually very small and is steadily decreasing. The target given to the richest 22 countries of the world of sending 0.7% of their GNP to poor countries has only been reached by the 4 smallest countries (Norway, Denmark, Netherlands and Luxembourg). The country that does worst is the largest and richest country in the donor group – the USA. It gives a paltry 0.14% of GNP and lags behind much smaller and less well off countries like Italy and Ireland.

Moreover aid and investment meant for the rural poor are hijacked by the rich. OXFAM porved, many years ago, that government-to-government aid brings double the benefits to the donor country that it brings to the recipient. In India, when Rajiv Gandhi was Prime Minister, he announced that only 15% of funds allocated for villages actually reached them. His son Rahul Gandhi reiterated this recently except that he states the figure is now not 15% but a mere 10%.

Thus, neither aid nor trade have so far helped the poor. Trade in any case is blocked by protectionism, interventionism and bilateralism. All talk at the moment is of a global market and the most powerful nations eagerly present a vision of every country in the world abandoning trade restrictions and opening up their markets to all and sundry. The harsh reality, however, is that while poor countries are bullied and blackmailed into removing all trade restrictions and entering the open market, the rich nations implement highly restrictive and protectionist legislation to make sure that their goods and profits do not lose out in any way.

In this environment, talk of the ‘common good’ and ‘ethical and moral discourses’ does not move the rich. Their key motivation remains ‘investing for profit’. The poor must therefore prove that they are a profitable investment.

A management guru of the United States, C K Prahlad, emphasizes this point. In one of his books, “The Fortune at the Bottom of the Pyramid”, he urges multinationals to stop thinking of the poor as victims or as a burden and begin to see them as potential entrepreneurs who will rapidly become consumers of the future. Similarly, the London ‘Independent on Sunday’, on 29th May 2005, carried an interview with Ketan Patel who warns the west that in 40 to 50 years’ time, half a billion people will come into the consumer cycle. These people will be hungry for western brands and will want western capital goods.

Returning to ‘Investment for profits’, this may be divided into two main categories: investment for immediate, short-term profits and investment for long-term, sustainable profits. Short-term profits are not sustainable; they are not good for the consumer, for the environment or indeed for the investor. Hence we will not discuss this kind of investment today.

We will instead focus on three areas of investment that are all about long-term, sustainable profits:-

1. services for the rural poor
2. education and training for the rural poor and
3. the creation of sustainable jobs and workplaces for the rural poor

The words ‘sustainability’ and ‘sustainable development’ became popular terms after the Brundtland Report was published in 1987. it defined sustainable development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’ Without sustainable development, sustainable profits are not possible.

Sustainability itself has been well defined in Paul Hawkins’ book “The Ecology of Commerce” as “an economic state where the demands placed upon the environment by people and commerce can be met without reducing the capacity of the environment to provide for future generations. It can also be expressed in the simple terms of an economic golden rule for the restorative economy: leave the world better than you found it, take no more than you need, try not to harm the life of the environment, make amends if you do.

A sustainable economy is the main foundation of sustainable development. To deliver a more sustainable economy, we need to make better use of resources, promote stability and competition, develop skills, reward work and supply goods and services which meet consumers’ needs whilst minimising their impact on the environment.

C K Prahlad suggests that the four billion poor of the world could drive the next round of global trade and productivity and be an exciting source of innovation. Meeting the needs of these ‘bottom of the pyramid’ customers will require large firms to work collaboratively with civil society organizations and local governments. At the same time, market development at the bottom of the pyramid will also create millions of new entrepreneurs at grass roots level.

Thus developing countries offer tremendous growth opportunities. Within them, rural areas where most of the poor live are the centres of these opportunities. By virtue of their sheer numbers, the rural poor represent a significant latent purchasing power that is just waiting to be unlocked.